The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

January 25, 2012

H.E. Tom Murdoch
Minister of Finance and Economic Development
Ministry of Finance and Economic Development
P.O. Box 67, Bairiki, Tarawa
Republic of Kiribati

Re: Republic of Kiribati: Japan PHRD TA Co-financing Grant to Support Disaster Reduction and Recovery- Kiribati Disaster Risk Management and Adaptation Project – Phase III (KAP III)
PHRD Grant No. TF011448

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Kiribati (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by Japan (the “Donor”) under the Japan Policy and Human Resources Development Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed one million eight hundred three thousand and six hundred United States Dollars (U.S.$1,803,600) (the “Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that the Donor cancels or fails to pay any contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by the Donor for the purposes of the Grant.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement by April 25, 2012, or if there is no implementation progress, including no disbursements six (6) months after the signature of this Agreement, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

Kanthan Shankar
Acting Country Director
Papua New Guinea, Pacific Islands and Timor Leste
International Bank for Reconstruction and Development/
International Development Association

AGREED:

REPUBLIC OF KIRIBATI

By

Authorized Representative

Name: TOM MURDOCH
Title: MINISTER
Date: 02 March 2012

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, in this Agreement or in the GEF-LDCF Grant Agreement and the following additional term shall have the following meaning, namely, "GEF-LDCF Grant Agreement" means the Agreement dated October 14, 2011, between the Recipient and the World Bank acting as Implementing Agency of the Global Environment Facility - Least Developed Country Fund, as the same may be amended from time to time.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the resilience of the Recipient to the impacts of climate change on coastal infrastructure. The Project consists of the activities described in Schedule 1 to the GEF-LDCF Grant Agreement under Parts 2(b), 2(c), 3(a), 3(b) and 4.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Department of Works and the Office of Climate Change and Development in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines").

2.03. **Institutional and Other Arrangements.** (a) Without limitation upon the provisions of Section 2.02 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Section 1 of Schedule 2 to the GEF-LDCF Grant Agreement.

(b) Recipient shall maintain until completion of the Project, the Project Management Unit referenced in Section 1.A.2 of Schedule 2 to the GEF-LDCF Grant Agreement, with qualified staff adequate in numbers and provided with powers, responsibilities and funding as required to provide daily management, implementation, monitoring and evaluation of the Project, including as needed for the selection and approval of Small Grants for Community Initiatives.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.
(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable and/or take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the third indicator of Schedule 3 to the GEF-LCDF Grant Agreement. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Project’s Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods, works and non-consulting services.


(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).
(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; (C) Direct Contracting; (D) Force Account; and (E) Procurement from United Nations Agencies.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods other than Quality- and Cost-based Selection may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; and (F) Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in US$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-consulting services and consultants' services, Operating Costs and Training</td>
<td>1,803,600</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,803,600</td>
<td></td>
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</tbody>
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For the purposes of this Section, the terms: (a) "Training" means expenditures (other than for consultants' services) incurred in connection with the carrying out, inside the Recipient's territory exclusively, of training, seminars, and workshops under the Project, including the reasonable travel and accommodation cost and per-diem of the trainers and trainees, training materials, rental costs and tuitions; and (b) "Operating Costs" mean incremental expenses incurred on account of Project implementation support and management and reasonably related thereto, including communications, utilities, stationary, domestic travel costs and per diem, maintenance of vehicles and equipment funded by the proceeds of the Financing, but excluding salaries of the Recipients' civil servants.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is August 31, 2016.

Article IV
Additional Remedies

4.01. Additional Events of Suspension. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:

(a) that the legal framework establishing the National Adaptation Steering Committee, its membership and its operation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient to perform any of its obligations under this Agreement;

(b) that the legal framework establishing the Project Management Unit, its staff and its operation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient to perform any of its obligations under this Agreement; and

(c) that World Bank has suspended in whole or in part the right of the Recipient to make withdrawals under the GEF-LDCF Grant Agreement.
Article V
Effectiveness

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified hereafter has been satisfied, namely that the GEF-LCDF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

Article VI
Recipient’s Representative; Addresses

6.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance and Economic Development.

6.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Development
P.O. Box 67, Bairiki, Tarawa
Republic of Kiribati

Facsimile:
68621307

6.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/ International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
<table>
<thead>
<tr>
<th>Cable:</th>
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<td>INTBAFRAD INDEVAS Washington, D.C.</td>
<td>248423 (MCI) or 64145 (MCI)</td>
<td>1-202-477-6391</td>
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